

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7828

BILL NUMBER: HB 1950

DATE PREPARED: Mar 5, 2001

BILL AMENDED: Feb 26, 2001

SUBJECT: Medicaid Buy-in Program for the Working Disabled.

FISCAL ANALYST: Alan Gossard

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FUNDS AFFECTED: X

**GENERAL
DEDICATED
FEDERAL**

X

IMPACT: State

Summary of Legislation: This bill establishes a Medicaid Buy-in program to provide Medicaid coverage to certain working individuals with disabilities as authorized by federal law. The bill establishes the Medicaid Work Incentives Council to assist the Office of Medicaid Policy and Planning (OMPP) in developing the Medicaid Buy-in program.

This bill specifies eligibility requirements for the Buy-in program and requires an annual review of the Medicaid Buy-in program by OMPP and the Medicaid Work Incentives Council. The bill requires OMPP to apply for certain federal grants. It also allows OMPP to apply for a federal grant to implement a demonstration project to provide Medicaid coverage to certain individuals.

Effective Date: Upon passage; July 1, 2001.

Explanation of State Expenditures: (Revised) Implementation of a Medicaid Buy-in program is estimated to result in additional state costs of \$1.657 M to \$1.822 M in FY 2003 and \$0.102 M to \$0.429 M in FY 2003.

Background: The enabling legislation for Medicaid Buy-in programs was established in the federal Balanced Budget Act of 1997. These provisions were later broadened by the federal Ticket to Work and Work Incentives Improvement Act of 1999. A Buy-in program allows states the option of extending Medicaid coverage to working people with disabilities whose incomes otherwise would disqualify them from Medicaid. States, in essence, may establish a new Medicaid eligibility category with different income and asset requirements than in the regular Medicaid program. States may also implement co-payments, fees, premiums, or other cost-sharing provisions for participants.

States have considerable flexibility in designing a Buy-in program. Individuals must meet the SSI definition of disability and be working. In addition, premiums may not exceed 7.5% of the individual's income. However, a state may design premium and other cost-sharing requirements that vary by income level. In

essence, an individual may, by paying premiums or sharing costs, "buy in" to the Medicaid program that then serves as a supplement to any income and health benefits the individual may receive from employment. About 15 other states are known to have implemented Buy-in programs.

The total new expenditures are due largely to new costs for personal care services and services that would otherwise be forgone because of an individual's becoming ineligible for Medicaid due to increased earnings. In addition, there would be initial costs for computer system changes, additional staff and contracts, and for the Work Incentives Council. There would also be cost offsets in the form of premium payments paid by the Buy-in participants. The target population of Medicaid Buy-in participants is estimated to be 1369 in FY 2003. The projected costs as estimated by OMPP are provided in the following table.

	FY 2003		FY 2004	
	Total Costs	State Share	Total Costs	State Share
Health Services:				
Personal Care Services *	\$0.427 M	\$0.162 M	\$0.427 M	\$0.162 M
Continued Services **	\$0.772 -\$1.206 M	\$0.293-\$0.458 M	\$0.772 - 1.206 M	\$0.293- 0.458 M
Health Services - Total	\$1.199-\$1.633 M	\$0.455-\$0.620 M	\$1.199-\$1.633 M	\$0.455-\$0.620 M
Administrative Costs:				
System Changes	\$3.516 M	\$1.446 M	\$0.031 M	\$0.015 M
Staff	0.151 M	0.062 M	0.098 M	0.049 M
Contracts	0.770 M	0.317 M	0.740 M	0.368 M
Work Incentives Council	0.003 M	0.001 M	0.003 M	0.001 M
Administrative - Total	\$4.440 M	\$1.826 M	\$0.873 M	\$0.433 M
Premiums Received:	(1.019 M)	(0.624 M)	(1.019 M)	(0.624 M)
Net Program Costs:	\$1.657-\$1.822 M		\$0.102-\$0.429 M	
<p>* Based on information received from Wisconsin.</p> <p>** Buy-In participants potentially will have reduced Medicaid expenditures due to the ability of some participants to participate in employer-sponsored health benefit programs, SSDI recipients eligible for Medicare with Medicaid only providing wrap-around services, and because working individuals may have less utilization of Medicaid services. Some research has shown that fully employed mentally ill clients have lower utilization rates (about 64% of the utilization of unemployed clients) of Medicaid services through the Medicaid Rehab Option. The lower estimate of the cost of continued services reflect this potential utilization of Medicaid services.</p> <p>Source: Office of Medicaid Policy and Planning and the state of Wisconsin.</p>				

This estimate includes premiums paid by program participants based on a sliding fee scale ranging from \$25 to \$275 with the average cost-sharing per recipient being about \$100 per person per month. Premium revenue must be shared with the federal government at the same rate Medicaid expenditures are shared. Also, the premium levels are not prescribed in the bill, but may be adjusted at administrative discretion.

The number of Buy-in participants that will require personal assistance services is not known with certainty. A preliminary estimate of 2% of the participants is assumed based on evidence from Wisconsin's Buy-in

program. Wisconsin has approximately 900 participants in their Buy-in program with 15 (1.7%) using personal care services.

The Medicaid Buy-in program is cost-shared with the federal government. Federal financial participation for Medicaid services is approximately 62% with the state share being the balance of 38%.

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding federal financial participation in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning.

Local Agencies Affected:

Information Sources: Kathy Gifford, OMPP, (317) 233-4455.

"Ticket to Work: Medicaid Buy-in Options for Working People with Disabilities," National Conference of State Legislatures, July 2000.